

A Bill

To establish a program to revitalize rural multi-family housing.

*Be it enacted by the Senate and House of Representatives of the United States of America
in Congress assembled,*

SEC. 1. REVITALIZATION OF MULTIFAMILY HOUSING.

Title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.) is amended-

(a) by inserting the following caption at the beginning of the title:

“SUBTITLE A – HOUSING PROGRAMS.”; and

(b) by adding at the end the following:

“SUBTITLE B - REVITALIZATION AND TENANT PROTECTION VOUCHERS

“SEC. 550. PURPOSE.-The purposes of this subtitle are-

“(a) to protect tenants who live in multi-family housing projects that are subsidized under this
Act or are in projects that leave the program after enactment of this subtitle.

“(b) to strengthen the multi-family housing project program that is administered by the
United States Department of Agriculture; and

“(c) to promote the revitalization of multi-family housing projects by—

“(1) providing a voluntary mechanism for project owners to enter into loan restructuring
agreements with the Secretary to obtain new types of financial assistance to rehabilitate and
maintain housing projects; and

“(2) establishing an improved Governmental regulatory regime that encourages-

“(A) less regulation of participating multi-housing projects and project owners;

“(B) more measurable performance standards for project owners; and

“(C) more effective enforcement of necessary regulation of financing and

1 rehabilitation of multi-family housing.

2 **“SEC. 551. DEFINITIONS.**-In this subtitle-

3 “(1) BASIC RESTRUCTURING.-The term ‘basic restructuring’ means one or more
4 alternatives to restructuring a loan of a project owner by the Secretary in a project financial plan,
5 including-

6 “(A) reduction or elimination of interest;

7 “(B) partial or full deferral of payments by the project owner;

8 “(C) forgiveness of debt;

9 “(D) subordination of debt;

10 “(E) reamortization of loan payments over extended terms;

11 “(F) grants from the Secretary; and

12 “(G) payment of project owner costs associated with development of the long term use
13 agreement.

14 “(2) ELIGIBLE LOANS.-The term ‘eligible loan’ means a loan made by the Secretary under
15 the section 515 housing program prior to January 1, 1992.

16 “(3) GOOD STANDING.-

17 “(A) IN GENERAL.-The term ‘good standing’ means a project owner that, prior to the
18 application for loan restructuring, has participated in the section 515 housing program in a
19 manner consistent with the project owner’s obligations as determined by the Secretary.

20 “(B) CONDITIONS PRECLUDING GOOD STANDING.-The Secretary must reject an
21 application for loan restructuring under this subtitle for lack of good standing if-

1 “(i) the project owner has a history of poor management or maintenance of multi-
2 family housing properties;

3 “(ii) the project owner is in default on a loan made available under section 515;

4 “(iii) the Secretary is unable to enter into a long term use agreement with the project
5 owner within a reasonable time;

6 “(iv) the project owner is suspended or debarred from participating in Federal
7 contracts or programs; or

8 “(v) the Secretary has other good cause for withholding from the project owner the
9 benefits available under this subtitle.

10 “(4) LEVERAGED RESTRUCTURING.-The term ‘leveraged restructuring’ means a basic
11 restructuring of the loan of a project owner by the Secretary in a project financial plan and the
12 infusion of additional funds from outside the Department of Agriculture into the project that is
13 the subject of the loan.

14 “(5) LONG TERM USE AGREEMENT.-

15 “(A) IN GENERAL.-The term ‘long term use agreement’ means an agreement between
16 the Secretary and the project owner to carryout revitalization activities on a project under this
17 subtitle.

18 “(B) BASIC TERMS.-A long term use agreement will include-

19 “(i) an agreement by the project owner to continue the property use restrictions with
20 respect to the project in accordance with the section 515 housing program for a period not
21 to exceed the greater of 20 years or the remaining term of the 515 loan;

22 “(ii) project financial and long term viability plans;

1 “(iii) terms under which incentives would be paid or penalties assessed to a project
2 owner in accordance with section 552(d);

3 “(iv) terms of the shared value agreement; and

4 “(v) other terms the Secretary determines are necessary to implement the purposes of
5 this subtitle.

6 “(C) DURATION OF LONG TERM USE AGREEMENT.-The term of a long term use
7 agreement shall remain in effect and apply to the property of the project regardless of the-

8 “(i) ownership of the subject property;

9 “(ii) continued existence of a loan under section 515 of this Act; or

10 “(iii) continued existence of rental assistance under this Act.

11 “(6) LONG TERM VIABILITY PLAN.-The term ‘long term viability plan’ means a plan, as
12 determined acceptable by the Secretary, which identifies for the next 20 years-

13 “(A) all necessary repairs, improvements, maintenance, and management standards for a
14 project, and when they will be made, in order to meet the requirements of the section 515
15 housing program; and

16 “(B) the costs associated with the items referred to in subparagraph (A).

17 “(7) PROJECT FINANCIAL PLAN.-The term ‘project financial plan’ means a plan that-

18 “(A) includes the loan restructuring elements, rent adjustments, management and
19 operational efficiencies, and other financial adjustments to the project that are necessary for
20 the project to-

21 “(i) meet the requirements of the long term viability plan;

22 “(ii) cover operating expenses; and

1 “(iii) maintain an adequate financial reserve for the future maintenance and capital
2 needs of the project; and

3 “(B) provides the project owner with a long term rate of return on new capital
4 commensurate to comparable commercial multi-family housing projects, plus applicable
5 incentives described in section 552(d).

6 “(8) PROJECT OWNER.-The term ‘project owner’ means an individual or entity that-

7 “(A) owns, or plans to purchase, a multi-family housing project funded under section
8 515; and

9 “(B) has been determined by the Secretary to be in good standing.

10 ”(9) SECRETARY.-The term ‘Secretary’ means the Secretary of Agriculture.

11 “(10) SECTION 515 HOUSING PROGRAM.-The term ‘section 515 housing program’
12 means the Secretary’s multi-family housing program authorized by section 515.

13 **“SEC. 552. REVITALIZATION.**

14 “(a) IN GENERAL.-The Secretary may, subject to the availability of funds appropriated
15 pursuant to section 554, establish a program to provide financial and other assistance to a project
16 owner with eligible loans that the Secretary has determined to be in good standing, through a
17 long term use agreement entered into between the project owner and the Secretary.

18 “(b) TYPES OF RESTRUCTURING.—

19 “(1) IN GENERAL.-As a part of a long term use agreement, the Secretary may approve a
20 project financial plan that provides for basic restructuring or leveraged restructuring.

1 “(2) PAYMENT DEFERRALS.-As part of a basic or leveraged restructuring, the
2 Secretary may allow a project owner to defer some or all loan payments to the end of the
3 term of the loan consistent with the requirements of the long term use agreement.

4 “(3) LIMITATIONS.-The net present value of the costs to the Secretary of a project
5 financial plan may not exceed an amount equal to 50% of the replacement cost of the project
6 as the project existed on the day the long term use agreement is executed, as determined by
7 the Secretary.

8 “(c) SHARED VALUE AGREEMENTS.-A long term use agreement must contain a shared
9 value agreement secured by the property of the project which will require the project owner at
10 the end of the term of the loan to to pay the lesser of-

11 “(1) the total of –

12 “(A) the amounts of loan write-downs, write-offs, and interest subsidies provided in
13 connection with the loan restructuring provided under this subtitle, at the closing of the
14 revitalization;

15 “(B) any outstanding principle and interest; and

16 “(C) non-loan funds provided by the Secretary under this subtitle, other than project
17 owner incentives provided pursuant to subsection (d)(1); or

18 “(2) 75 percent of the appraised value of the project which is the subject of the loan.

19 “(d) PROJECT OWNER INCENTIVES AND PENALTIES.-As part of long term use
20 agreement, the Secretary may include terms that provide-

21 “(1) financial incentives for exceeding certain requirements of the long term use
22 agreement, which may include allowing the project owner to retain a portion of operational

1 savings; and

2 “(2) penalties which would be payable to the Treasury for failing to meet long term use
3 agreement requirements or for incurring operational expenses that exceed the project budget
4 established pursuant to the long term use agreement.

5 “(e) ADMINISTRATION.-

6 “(1) RENTS.-

7 “(A) RENTS FOR UNITS NOT ALLOCATED RENTAL ASSISTANCE.-For
8 projects subject to a long term use agreement, the Secretary may allow, in the project
9 financial plan, the rent of units not allocated rental assistance under this title to increase
10 annually to a level not to exceed 40 percent of the area median income, as determined by
11 the Secretary.

12 “(B) RENTS FOR UNITS ALLOCATED RENTAL ASSISTANCE.-

13 “(i) ANNUAL RENT INCREASE.-For projects subject to a long term use
14 agreement, the Secretary may allow, in the project financial plan, the rents of units
15 that are allocated rental assistance under this title to increase annually, as determined
16 by the Secretary.

17 “(ii) MINIMUM RENT.-Notwithstanding any other provision of this title, every
18 tenant in a unit subject to a long term use agreement shall be charged a minimum rent
19 not to exceed \$25 per month, adjusted for inflation, as determined by the Secretary.

20 “(2) LOAN RESTRUCTURING STANDARDS.-

1 “(A) IN GENERAL.-Notwithstanding any other provision of law, the Secretary may
2 provide loan restructuring to a project owner under this subtitle expressly for the purpose
3 of making financial resources available to meet the requirements of project financial plan.

4 “(B) SUBORDINATION OF DEBT.-With regard to a subordination of a section 515
5 housing program loan as a part of a project financial plan, the Secretary may allow such
6 subordinations under the terms and conditions as determined by the Secretary.

7 “(C) NEW LOANS.-The Secretary may make or guarantee project loans with
8 subsidized or zero interest rates without regard to the value of the property, if such loan
9 or guaranteed loan is part of a project financial plan approved for the project under this
10 subtitle.

11 “(3) LOWEST COST TO THE SECRETARY.-In determining the category and amount
12 of restructuring to approve for a project under this section, the Secretary shall, to the extent
13 practicable, approve assistance that imposes the least cost to the Secretary that meets the
14 requirements of the project financial plan and long term viability plan.

15 “(4) OFFERS OF LONG TERM USE AGREEMENTS. -In the case of a project owner
16 that sought a long term use agreement, but rejected the agreement offered by the Secretary,
17 the Secretary may establish procedures and conditions under which the project owner may be
18 offered future long term use agreements.

19 “(5) FEES.-The Secretary may charge fees to project owners that seek long term use
20 agreements under this subtitle.

21 **“SEC. 553. TENANT PROTECTION VOUCHERS.**

22 “(a) VOUCHERS.-

1 “(1) IN GENERAL.-The Secretary may provide tenants of a project funded under section
2 515 with vouchers as established under this section, if the project owner of the project
3 prepays the section 515 housing program loans.

4 “(2) USE.-A voucher may be used by a tenant to-

5 “(A) pay the rent for an eligible living space anywhere in the United States; and

6 “(B) make payments toward the purchase of a single family home anywhere in the
7 United States for the remaining term of the voucher.

8 “(3) EXCLUSIVITY OF VOUCHER.-A tenant who elects to receive a voucher may not
9 live in a housing unit that receives rental assistance pursuant to section 521 during the period
10 of time covered by the voucher payments.

11 “(4) CONTINUING ELIGIBILITY.-A tenant shall no longer be eligible for a voucher
12 under this section, if the tenant has reached an income level that-

13 “(A) would make the tenant ineligible to live in a section 515 housing project in the
14 area where the tenant is current residing; or

15 “(B) in the case of a tenant that does not currently reside in a rural area, exceeds a
16 level determined by the Secretary.

17 “(b) AMOUNT OF VOUCHER.-Subject to subsection (c), the amount of a voucher under
18 this section shall be the difference between-

19 “(1) the lesser of-

20 “(A) the actual rent currently paid by the tenant; and

1 “(B) the comparable rent for a living unit similar to the tenant's unit in the prepaid
2 property based on the fair market rental rates for the area at the time of prepayment
3 adjusted for inflation, as determined by the Secretary; and

4 “(2) either-

5 “(A) 30% of tenant's current adjustable income if the tenant was covered by rental
6 assistance and remains eligible under the requirements to receive rental assistance under
7 section 521; or

8 “(B) the tenant's actual rent currently paid.

9 (c) MIMIMUM RENT.-A tenant that receives a voucher under this section, must pay a
10 minimum rent commensurate with the minimum rent established pursuant to section
11 552(e)(1)(B)(ii).

12 **“SEC. 554 AUTHORIZATION OF APPROPRIATIONS.**

13 “There is authorized to be appropriated such sums as may be necessary to carryout this
14 subtitle.”.

15 **SEC. 2. CONFORMING AMENDMENTS TO TITLE V OF THE HOUSING ACT OF**
16 **1949.-**

17 Section 502 of the Housing Act of 1949 (42 U.S.C. 1472) is amended by striking subsection
18 (c).

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